

# **CAREER STATUS BONUS (CSB)**



## **WEIGHING YOUR OPTIONS**

**Prepared by:**

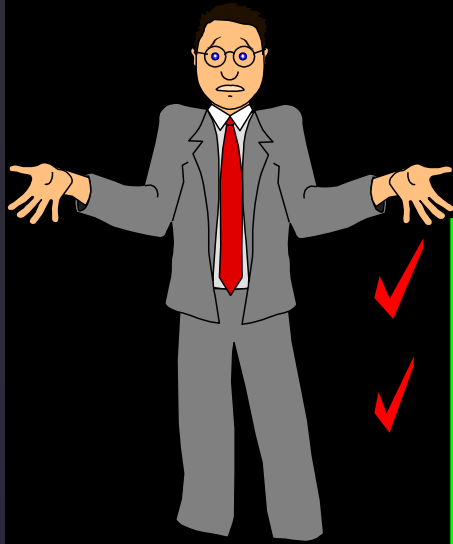
**Army Retirement Services**

**ODCSPER**

**Alexandria, VA**

**February 2001**

# Why are you here?



**First signed contract after  
31 Jul 86  
Eligible to complete 20 years**



**YOU MUST CHOOSE A RETIRED PAY  
PLAN**



# RETIRED PAY PLANS

Contract signed before 8 Sep 80

Final Basic Pay

Contract signed between 8 Sep 80 and 31 Jul 86

High-3

Contract signed after 31 Jul 86\*\*\*\* (This is You!!)


High-3 unless eligible for & elect  
CSB/PEDUX at 15

# REDUX - - Then and Now

## 1986 law (REDUX)

- **Mandatory!**
- **NO BONUS**
- **Reduced multiplier**
- **Reduced COLA**
- **Age 62 adjustments**

## 1999 law (CSB/REDUX)

- **Voluntary, if ble**
- **\$30,000 bonus**
- **Reduced multiplier**
- **Reduced COLA**
- **Age 62 adjustments**

# CSB/REDUX ELIGIBILITY

## Eligible if:

- DIEMS after 31 Jul 86
- 15 yrs. of AD
- Eligible to stay 20 yrs.\*\*

**\*\*And agree to stay 20 yrs.**

# **DIEMS after 31 Jul 86**

(date initially entered military service)

**Earliest date of enlistment, induction, or  
appointment in a *regular or reserve*  
component**



# DIEMS

**ONE PURPOSE:** Determines pay formula

**NOT** necessarily date entered active duty (BASD)

**NOT** creditable for retired pay

# **DIEMS**

- **May be the same as PEBD**
- **May be earlier than PEBD if:**
  - **Academy graduate**
  - **ROTC**
  - **Break in service**
  - **Delayed Entry Program (DEP)**
  - **Delayed Commissioning Program (DCP)**



**Complete 15 years of active duty**

- **ADT, ADSW, TTAD, FTNGD, & AGR**
- **Non-consecutive service okay**
- **Service from two or more branches okay**
- **Check your BASD**

## Eligible to serve 20 years

- Must be eligible to serve 20 years
- Not eligible if:
  - Approved separation/retirement
  - Medical/Physical Evaluation Board (MEB/PEB)
  - Enlisted: pending discharge, QMP, flag
  - Officer: pending “show cause,” involuntary separation
- Eligible when situation favorably resolved
- Reserve members

## **Agree to serve 20 years**

- **Failure to serve continuously to 20 years requires bonus pay back UNLESS:**
  - **Death**
  - **Disability retirement**
  - **Service offer of early retirement/separation**
  - **Other reasons approved by Sec Army**
- **Pay back amount pro-rated**

# **Retirement Eligibility Requires 20 years of:**

- **AD**
- **ADT**
- **ADSW**

- **TTAD**
- **FTNGD**
- **AGR**

**Check your BASD**

# **Retired Pay Components**

**Yrs./mos. Creditable Service for %  
purposes**

**X % Factor**

**= % Multiplier**

**X Basic Pay Base**

**= Retired Pay**

# ~~Yrs./Mos.~~ **Years/Months of Creditable Service** ~~for % purposes~~

**Yrs./mos. Creditable  
Svc for % purposes**

**X % Factor**

**= % Multiplier (75%  
max.)**

**X Basic Pay Base**

**= Retired Pay**

## **Includes:**

- AD, ADT, ADSW,  
TTAP, FTNGD,  
AGR**
- Reserve points  
converted to AD  
(60, 75, or 90)**

**% Factor X Creditable Service = %  
Multiplier  
(Maximum 75%)**

**High-3**

- **2-1/2% per yr.**
- **Multiplier at 20: 50%**

**CSB/REDUX**

- **2-1/2% per yr., minus  
1% for ea. yr. under 30**
- **Multiplier at 20: 40%**

**Creditable Service  
X % Factor  
= % Multiplier  
X Basic Pay Base  
= Retired Pay**

# % Multipliers

## Years of Service

	20	22	24	
26	30			
High-3	50%	55%	60%	65%
75%				

- **CSB/REDUX** = 40%\* 47%\* 54%\* 61%\*
- More years = closer multipliers
- Equal at 30 years
- \*At 62, CSB/REDUX = High-3



# Basic Pay Base

**Creditable  
Service**

**X % Factor**

**= % Multiplier**

**X Basic Pay Base**

**= Retired Pay**

- **Avg. of highest 36 mos. Basic pay**
  - **No allowances/special pay**
  - **Usually last 3 years**
- **Exceptions:**
  - **Less than 10 yrs. commissioned**
  - **Reduction in grade**
  - **May be advanced at 30 years**

# Basic Pay Base Examples

Grade	Years of Service			
	20	22	26	30
E-8	\$3,332	\$3,684	\$4,589	
	\$5,641			
W-4	\$4,414	\$4,891	\$5,992	
	\$7,169			
0-6	\$6,878	\$7,730	\$9,404	
	\$11,414			

# **OTHER PLAN DIFFERENCES**

- **Cost-of-living Adjustments (COLA)**
- **Survivor Benefit Plan (SBP)**
- **Career Status Bonus (CSB)**

# COLA

## High-3

**Full CPI**

## CSB/REDUX

- **1% less than High-3**
- **No COLA if CPI < 1%**
- **One-time catch-up at 62**

# Survivor Benefit Plan (SBP)

**Same full base amount, cost, and annuity**

**Example: \$4,000 basic pay base**

**High-3 retired pay.....  $50\% \times \$4,000 = \$2,000$**

**CSB/REDUX retired pay...  $40\% \times \$4,000 = \$1,600$**

**SBP base amount = \$2,000**

**SBP Cost =  $6.5\% \times \$2,000 = \$130.00$**

**SBP Annuity =  $55\%/35\% \times \$1,000 = \$1,100/\$700$**

## **CSB (BONUS)**

**High-3**

**None**

**CSB/REDUX**

- **\$30,000**
- **Paid at 15th year**
- **May offset reductions**

# How do they compare?

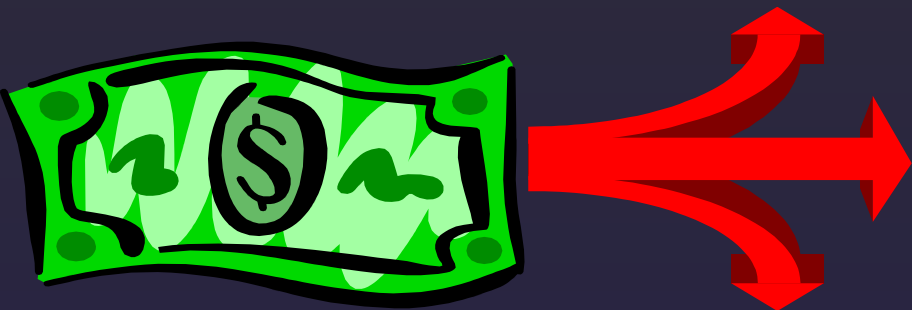
## High-3

- **2-1/2% factor**
- **Avg. 36 mos. basic pay base**
- **Full COLAs**
- **No bonus**
- **No catch-up at 62**
- **No svc obligation**
- **SBP full base amount**

## CSB/REDUX

- **-1% each year < 30**
- **Avg. 36 mos. basic pay base**
- **“Diet” COLAs**
- **\$30,000 bonus**
- **Pay/COLA at 62**
- **Svc obligation**
- **SBP full base amount**

# What Can/Should Affect Your Decision

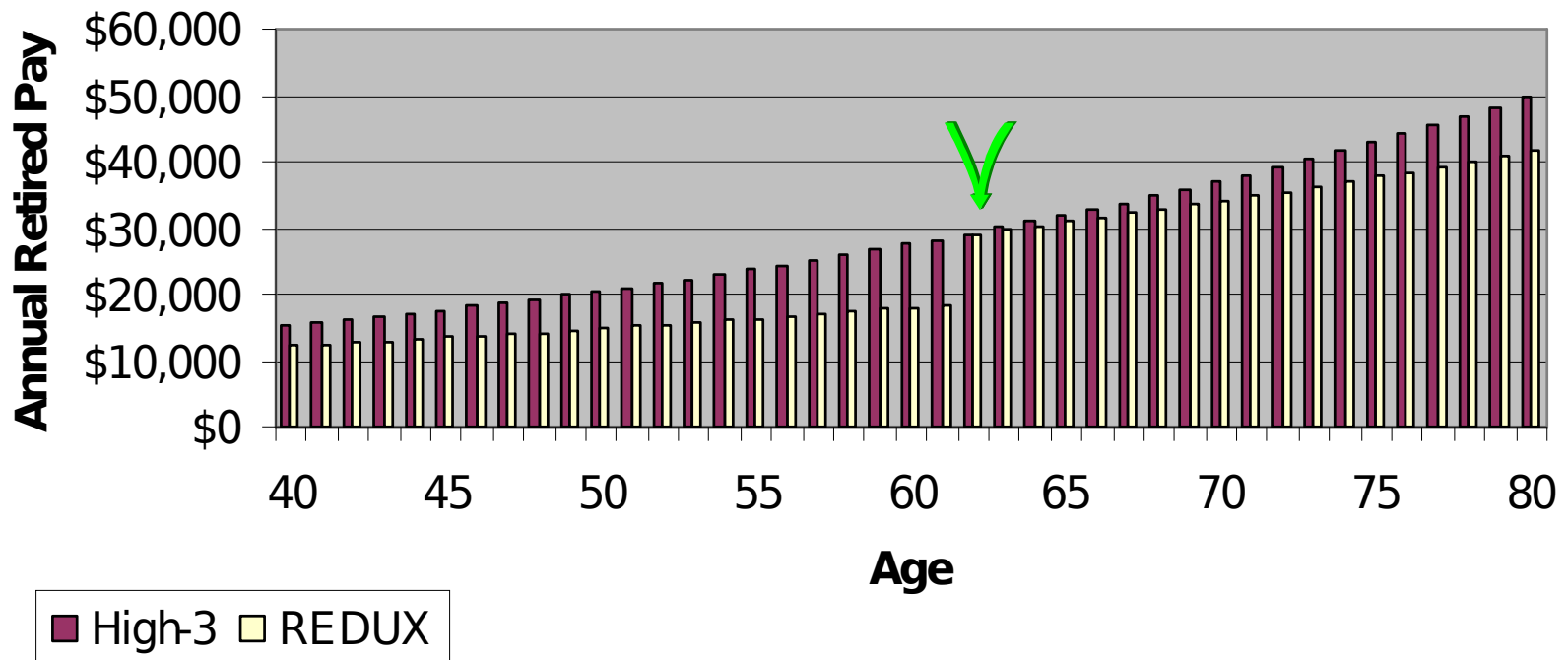


- **Length of Military Career**
- **Age**
- **Use of bonus money**
- **Inflation**
- **Return on investment**



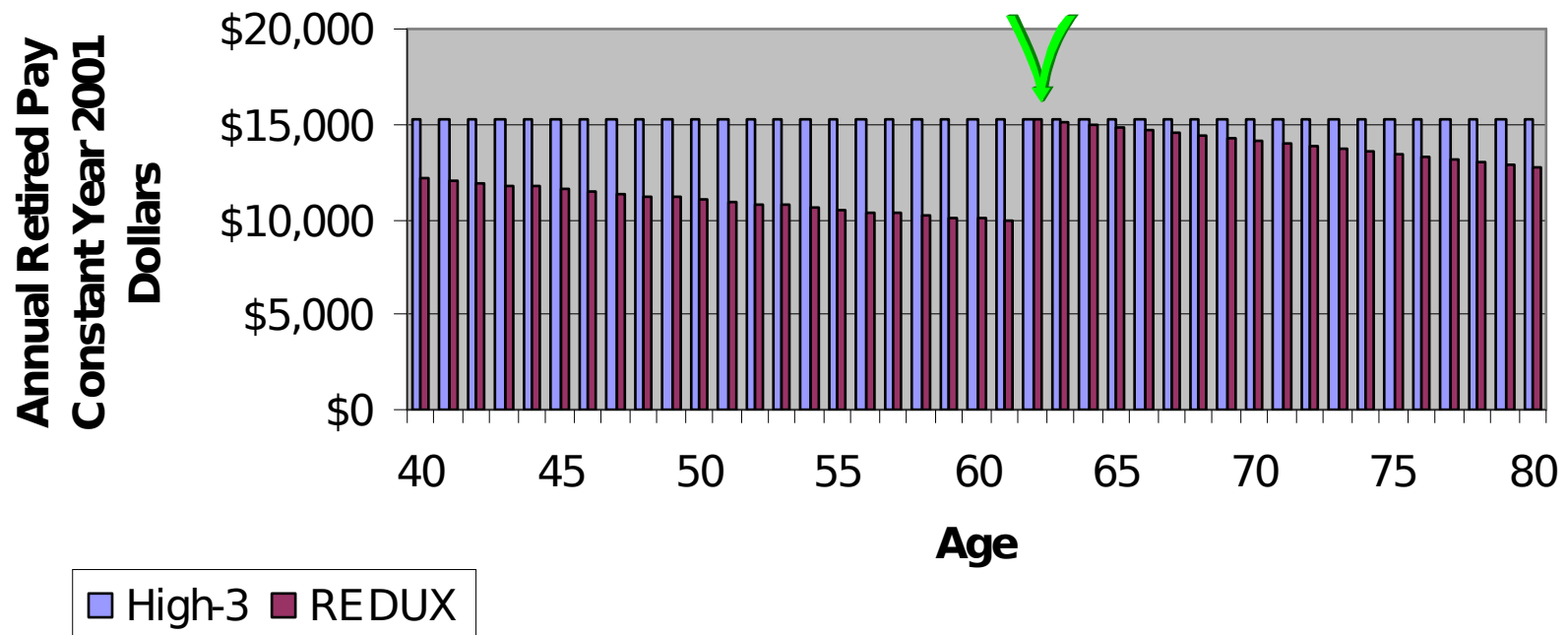
# High-3 and CSB/REDUX pay comparison

**Retired Pay Comparisons  
E-7 With 20 Years of Service**



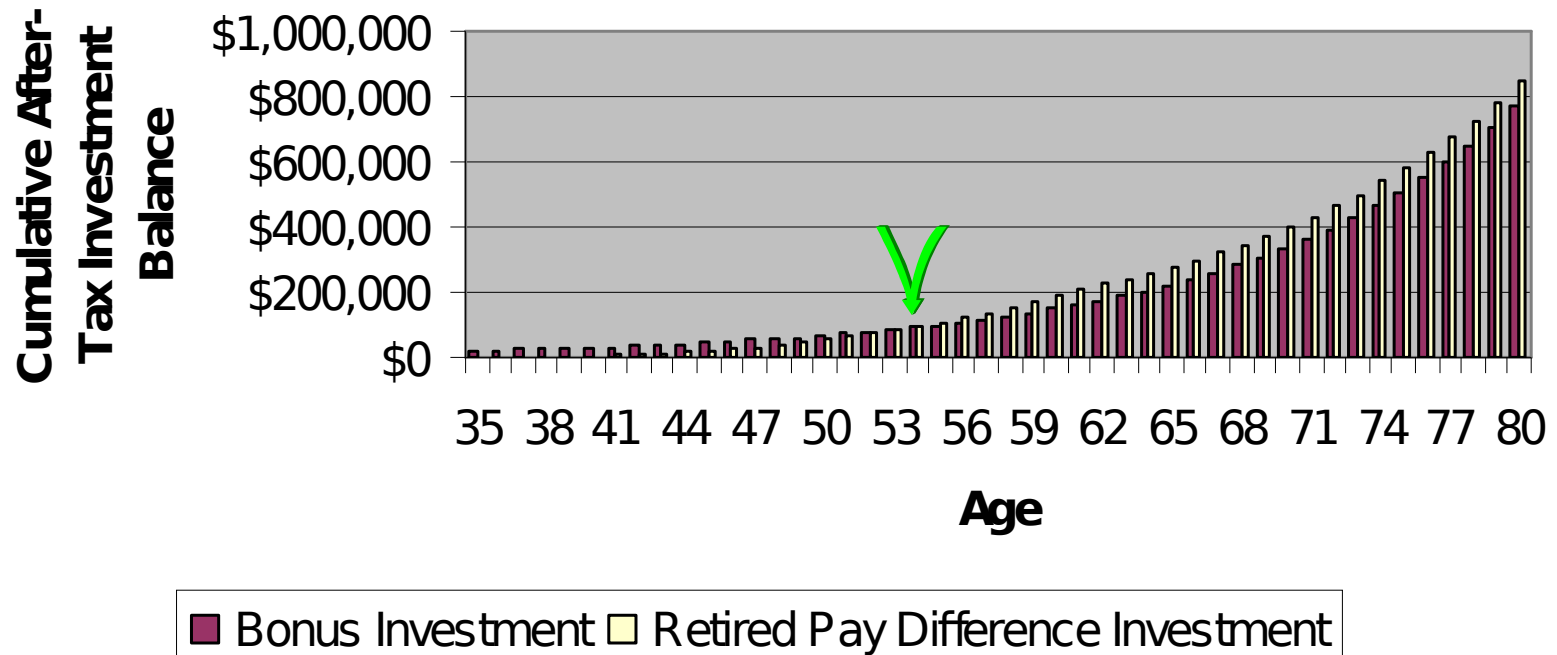
# Constant Year 2001 Dollars

## Retired Pay Comparisons E-7 with 20 Years of Service



# Investment Comparison

## A Comparison of Bonus Investment and Retired Pay Investment



# **TYPICAL SITUATIONS**

## **(Extra High-3 pay vs. bonus savings)**

<b>RANK</b>	<b>SERVICE</b>	<b>CROSSOVER</b>
<b>0-5</b>	<b>20-0</b>	<b>48</b>
<b>0-5</b>	<b>24-0</b>	<b>56</b>
<b>0-6</b>	<b>30-0</b>	<b>78</b>
<b>E-7</b>	<b>20-0</b>	<b>52</b>
<b>E-8</b>	<b>24-0</b>	<b>60</b>
<b>E-9</b>	<b>30-0</b>	<b>NA</b>
<b>W-3</b>	<b>22-0</b>	<b>55</b>

# **TWINS**

- **Enlisted August 1986 at age 20**
- **Same promotions**
- **Complete 15 years' service in 2001**
- **Must choose between High-3 and CSB/REDUX retired pay plans**

**TWINS (cont'd)**  
**Retire August 2006**  
**\$3,000 basic pay base**

**Harry (High-3)**

- **50% X \$3000 = \$1,500**
- **No CSB**
- **COLAs - 3.5%**

**Richard (CSB/REDUX)**

- **40% X \$3,000 = \$1,200**
- **\$28,600 CSB**
- **COLAs - 2.5%**

## TWINS (cont'd)

	High-3	CSB/REDUX	CSB/REDUX & Bonus
Year 15	---	---	\$ 21,600
Retirement	---	---	28,600
End 1st year	\$ 18,000	\$ 14,400	44,600
Age 61	581,000	415,000	513,600
Age 62	620,300	454,000	557,600
Age 75	\$1,260,000	\$1,049,600	\$1,263,600



## **TWINS (cont'd)**

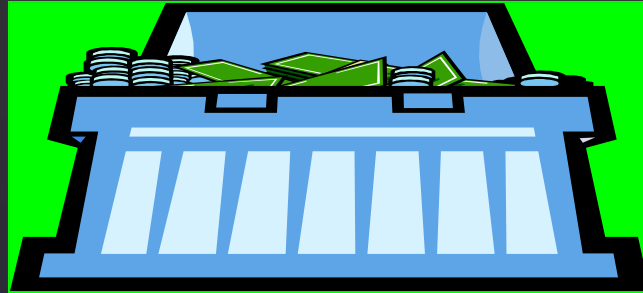
- **Results depend upon assumptions**
- **If CSB spent outright:**
  - **Age 62 - \$166K < brother**
  - **Age 75 - \$211K < brother**
- **Calculator at**  
**<http://militarypay.dtic.mil>**



# **BONUS INVESTMENT CHOICES**

- **UNISERV**
- **Other investments**
- **Spend it outright**

# **UNISERVE - Military Thrift Savings Plan**



- **Like 401K plan - taxes deferred**
- **Must participate to contribute CSB**
- **Open enrollment seasons**
- **Election delay authorized**

## **UNISERV (cont'd)**

- **Investment fund choices**
  - **Govt. securities (G)**
  - **Common Stocks (C)**
  - **Fixed Income (F)**
  - **Small capitalization stock (S)**
  - **International stock (I)**
- **G fund automatic unless/until changed**
- **Website:**  
**<http://www.tsp.gov/uniserv/index.htm>**

## **UNISERV (cont'd)**

- **7% of basic pay + special pay, incentives, and bonuses (CSB)**
- **Annual IRS limit - all sources**
- **No direct remittances**
- **Limit on all investment plans**

## **UNISERV (cont'd)**

- **Combat zone tax exclusion lesser of:**
  - **\$30k, or**
  - **25% of annual compensation**
- **Matching funds - critical fields**
- **In-service withdrawals/loans**
- **Spouse rights**

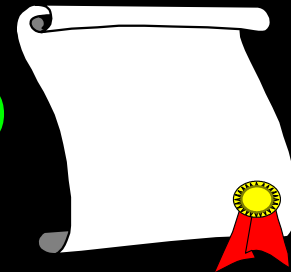
## UNISERV (cont'd)

- Limited in-service withdrawals
- After retirement:
  - Single payment
  - Series of payments
  - Transfer to another plan
  - Annuity
  - Leave money in UNISERV

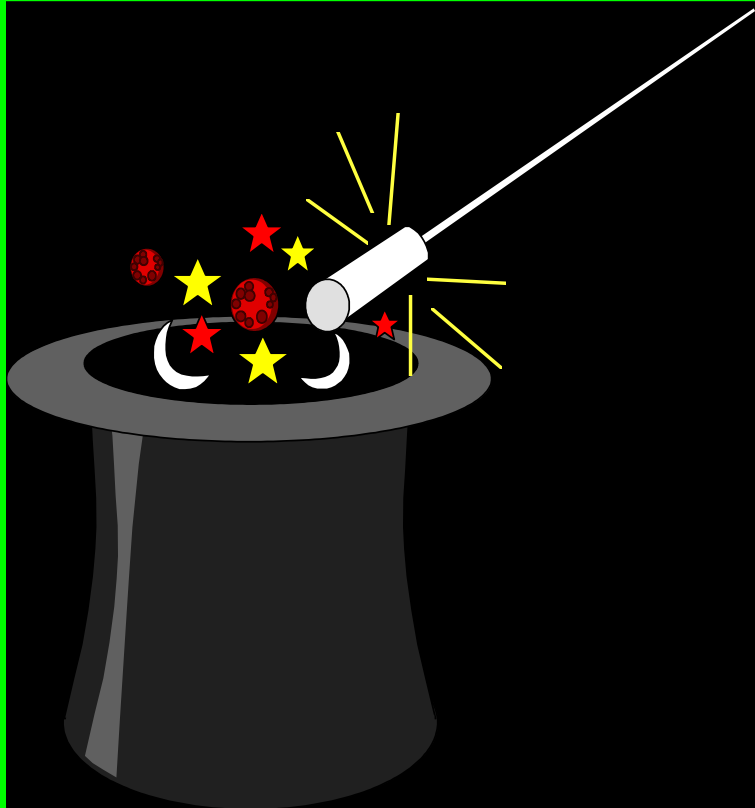
# OTHER INVESTMENT OPTIONS

## Potential high value

- Home
- Education
- Business
- IRAs (Roth, Traditional)



# Spend it outright!



## Low Value

- No growth potential
- Pay debts
- Car, boat, vacation





# BONUS USE SCENARIOS

	Option 1	Option 2	Option 3
<b>Bonus</b> <b>\$30,000</b>	<b>\$30,000</b>	<b>\$30,000</b>	
<b>UNISERVE</b>	<b>9,000</b>	<b>5,000</b>	<b>9,000</b>
<b>Remainder</b>	<b>21,000</b>	<b>25,000</b>	<b>21,000</b>
<b>Taxes</b>	<b>6,300</b>	<b>7,500</b>	<b>6,300</b>
<b>Vacation</b>	<b>---</b>	<b>---</b>	<b>4,000</b>
<b>After-tax</b> <b>\$10,700</b> <b>(Invested)</b>	<b>\$14,700</b>	<b>\$17,500</b>	

# INVESTMENT SCENARIOS

	Option 1		Option 2		Option 3	
Yr	8%	10%	8%	10%	8%	10%
0	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
5	28,560	30,764	28,123	30,181	24,618	26,464
15	53,272	66,874	50,730	62,903	44,355	55,979
25	100,546	148,042	92,304	132,902	84,927	126,332
35	192,129	333,991	169,584	285,199	165,196	291,285
45	\$371,783	\$767,946	\$314,917	\$622,660	\$325,338	\$683,936

# Investment Growth Considerations

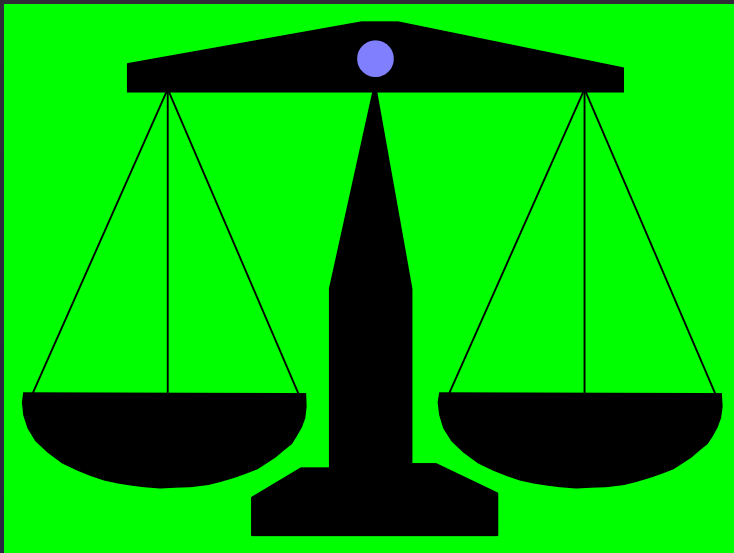
- Rate of return on investment (Opt 1)
- Using less in tax-deferred investments (Opt 2)
- Spending money outright (Opt 3)

Use the calculator at  
<http://militarypay.dtic.mil>

# ELECTION

- Offered at 14-1/2 year; 6 mos. to decide
- Optional UNISERV delay - 1 March 2002
- If delay, no obligation to:
  - Elect CSB/REDUX
  - Join UNISERV
  - Deposit CSB into UNISERV
- Received before 15th year - effective 15th year
- Received after 15th year - effective immediately

# Career Status Bonus (CSB) - Weighing Your Options



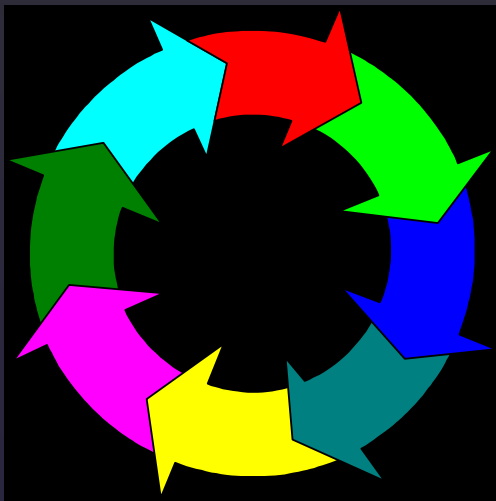
## Remember to consider:

- Age at retirement
- Career length
- CSB use
- Inflation
- Get advice!

# Plan now for retirement

Visit

<http://www.odcsper.army.mil/retire>



- RSOs listing
- Army Echoes retiree bulletin
- Survivor Benefit Plan (SBP)
- Links